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## State cuts may halt Burien, Renton annexation plans

King County cities could stop annexing urban unincorporated areas if the Legislature adopts Gov. Chris Gregoire's proposal to stop supporting them with tax revenue.

By Keith Ervin

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Renton and Burien say they'll pull the plug on plans to expand their borders if the Legislature ends financial assistance for annexation.

The Renton City Council, waiting to see if the Legislature adopts Gov. Chris Gregoire's proposal to stop supporting future annexations, has delayed a public vote on adding the 14,000-resident West Hill area to the city.

Bellevue, taking a different tack, urged residents of Eastgate last month to continue collecting petitions for annexation. The petition drive was successful, and the City Council is expected to decide in January whether to annex the 5,000-resident area.

Even though Bellevue still could lose \$1 million in previously expected state support, some council members have said they want to proceed. "I think we need to go forward with the annexation, but we also need to count on the state to act in good faith to provide the revenue it promised when we started this process," Councilmember Kevin Wallace said.

Bellevue has joined Renton, Burien and other cities in fighting Gregoire's proposal to reduce by 10 percent state financial support for annexations that already have occurred and to eliminate funding for new annexations.

Reining in those subsidies is part of the governor's strategy for closing a \$2 billion budget gap.

A state law passed in 2006 allows cities annexing areas with more than 10,000 residents — or 4,000 residents in a provision that applies only to Eastgate — to offset their financial losses for 10 years by giving them a portion of the sales tax that would otherwise go to the state.

Cities that would lose part of their existing revenue stream from previous annexations are Auburn, Renton, Kirkland, Burien, Kent, Marysville and Lake Stevens.

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The tax credit covers operating but not capital costs. It shifts some tax revenue from state to city government, but doesn't increase the amount of tax that shoppers pay.

King County is struggling to maintain roads and provide police protection in urban unincorporated areas partially or completely surrounded by cities.

Cities that annex residential areas spend more money providing services than they receive in new taxes. That's why many bedroom communities were left behind as cities "cherry-picked" nearby shopping centers, offices and warehouses that brought in more sales tax.

The sales-tax credit spurred a series of annexations, reducing the population of King County's urban unincorporated areas from 232,000 to 130,000 over the past four years.

Burien City Manager Mike Martin is blunt about the impact of losing a \$5 million-a-year tax source if the city takes over the 18,000-resident northern North Highline/White Center area. "In plain language," Martin said, "if the sales tax is not present, we don't annex."

Renton, with \$2 million at stake, has postponed a scheduled vote on annexation of the 15,000-resident West Hill/Skyway community. "We felt like we couldn't have it on the ballot in February and not really know if we could annex, when we could annex," said City Council President Terri Briere.

That's disappointing, Briere said, because Skyway has been "pretty well abandoned by King County" and could use the city's help.

Renton annexed 17,000-resident Benson Hill in 2008 and Burien welcomed 14,000 residents of the southern half of North Highline last year — and are now contemplating the loss of some money they had counted on. If those cities decide not to go ahead with additional annexations, it would be a setback to efforts by community activists and state and local officials to bring all urban areas into cities.

The biggest annexation was Kirkland's takeover this year of North Juanita, Finn Hill and Kingsgate, which boosted the city's population from 48,000 to 81,000. Kirkland wouldn't have taken on such a big commitment without the sales-tax credit, Mayor Joan McBride said: "It was a promise made to us and it was a promise that we planned on."

The \$3 million tax credit helped Kirkland hire 37 police officers and nine firefighters, but it doesn't offset the cost of a \$30 million public-safety building to serve a larger city.

All cities must help the state deal with its budget crisis, City Manager Kurt Triplett said, but, "Annexation is unique because it has a disproportionate impact on a few cities that stepped up and invested millions because the state asked them to. You can't afford to destabilize those cities."

But the Legislature must consider cutting the tax credit at a time when "everything is on the table," said House Ways and Means Chairman Ross Hunter.

"I don't know why our distributions to the cities even for programs I support, as I do this one, would be immune," Hunter said. "Is that more important than health care for children, K-12 education? We have to balance all these things off."

After making a first round budget of cuts in its just-completed special session, the Legislature will take up the sales-tax credit in its upcoming regular session.

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